

RED RIVER WATERWAY COMMISSION**STATE OF LOUISIANA****Financial Statements
Year Ended December 31, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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**RED RIVER WATERWAY COMMISSION
STATE OF LOUISIANA**

**Financial Statements
Year Ended December 31, 2011**

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Required Supplemental Information
Management's Discussion and Analysis (Unaudited)

**RED RIVER WATERWAY COMMISSION
STATE OF LOUISIANA**

Developing the Gift of River Living

Management's Discussion and Analysis (Unaudited)

This section of the Red River Waterway Commission's (Commission) annual financial report offers readers a narrative overview and analysis of the financial performance of the Commission for the year ended December 31, 2011. The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the Commission's financial statements, which immediately follow this section.

Financial Highlights

The assets of the Red River Waterway Commission exceeded its liabilities at the close of the most recent fiscal year by \$96,662,619 (net assets). This is an increase of \$5,310,981. Unrestricted net assets which may be used to meet the Commission's ongoing obligations to citizens in accordance with the fund designation and fiscal policies represent \$50,362,387. This is an increase of \$3,694,278 from prior year.

As of the close of the current year, the Red River Waterway Commission's governmental funds reported combined ending fund balances of \$55,269,054. This is an increase of \$6,409,270 from prior year. Over 91% of this total amount or \$50,524,299 is unassigned and available for use within the Commission's designation and policies. This is an increase of \$5,266,687 from prior year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$22,995,122. This is an increase of \$752,024 from prior year. The total general fund expenditures for the current year are 15% of the unassigned fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future periods (e.g., uncollected taxes and earned, but unused, compensated absences).

The government-wide financial statements distinguish functions of the Commission that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Commission include general government, port and economic development, and recreation and culture. The government-wide financial statements can be found on pages 5-6 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are classified as governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains two governmental funds. Information is presented separately in the Balance Sheet- Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds for general and capital projects funds, both of which are considered to be major funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 19.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Red River Waterway Commission, assets exceeded liabilities by \$86,662,619 as of December 31, 2011.

A large portion of the Commission's net assets (39%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure). The Commission uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. The remaining balance of the Commission's net assets represents resources that are used to maintain the capital assets and administrative expenses.

Red River Waterway Commission's Net Assets

	<u>2011</u>	<u>2010</u>
Assets:		
Current and Other Assets	\$59,513,948	\$53,971,722
Capital Assets	<u>37,958,314</u>	<u>38,173,672</u>
Total Assets	<u>\$97,472,262</u>	<u>\$92,145,394</u>
Liabilities:		
Long-term Liabilities	\$ 117,326	\$ 135,101
Other Liabilities	<u>692,317</u>	<u>658,655</u>
Total Liabilities	<u>\$ 809,643</u>	<u>\$ 793,756</u>
Net Assets:		
Invested in Capital Assets	\$37,922,496	\$38,173,672
Restricted	6,778,962	6,509,855
Unrestricted	<u>51,961,161</u>	<u>46,668,111</u>
Total Net Assets	<u>\$96,662,619</u>	<u>\$91,351,638</u>

The following table provides a summary of the Commission's operations for years ended December 31, 2011 and December 31, 2010. For both years, the Commission was able to report positive balances in each category of net assets.

Summary of Statement of Activities

	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 1,024,807	\$ 4,518,250
Capital grants & contributions	556,319	1,003,278
General Revenues:		
Property taxes	8,295,373	8,009,556
State revenue sharing	374,490	342,244
Interest and investment earnings	465,942	551,222
Miscellaneous	<u>30,290</u>	<u>21,995</u>
Total Revenues	<u>\$10,747,221</u>	<u>\$14,446,545</u>
Expenses:		
Public works and recreation	<u>\$ 5,436,240</u>	<u>\$20,406,119</u>
Change in Net Assets	<u>\$ 5,310,981</u>	<u>\$(5,959,574)</u>

Financial Analysis of the Government's Funds

Governmental Funds – The focus of the Red River Waterway Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Red River Waterway Commission's governmental funds reported combined ending fund balances of \$55,269,054. Approximately 91% of this total amount constitutes unassigned fund balance. The remainder of the fund balance is committed to indicate that it is not available

for new spending because it has already been committed to pay for capital assets, port infrastructure, or insurance.

Capital Assets

The Red River Waterway Commission's investment in capital assets (net of accumulated depreciation) for its governmental activities as of December 31, 2011, is \$37,958,314. This investment in capital assets includes land, buildings, equipment, infrastructure and construction in progress.

	<u>2011</u>	<u>2010</u>
Land	\$15,407,717	\$15,407,717
Construction in Progress	153,398	153,397
Buildings	4,185,538	4,185,537
Furniture, fixtures & equipment	764,421	737,573
Land Improvements-		
Groundwork	3,938,124	3,938,125
Structure	12,420,127	11,352,964
Boat ramps	8,246,943	8,246,943
Outdoor equipment	705,432	705,431
Infrastructure	<u>8,715,671</u>	<u>8,715,671</u>
Total capital assets	54,535,369	53,441,358
Less Accumulated depreciation	<u>(16,577,055)</u>	<u>(15,267,686)</u>
Net capital assets	<u>\$37,958,314</u>	<u>\$38,173,672</u>

Additional information on the Red River Waterway Commission's capital assets can be found on page 16 of this report.

Economic Factors and Next Year's Budgets and Rates

The Commission considered all known and projected costs when preparing the budget for 2012. Revenues and expenditures are expected to remain consistent with 2011.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Commission's finances. If you have questions about this report or need any additional information, contact the Executive Director, at P. O. Box 776, Natchitoches, Louisiana, 71458, call (318) 352-7446, or e-mail at kguidryrwc@cp-tel.net.

Government-Wide Financial Statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

Statement of Net Assets
December 31, 2011

Assets	
Cash and cash equivalents	\$ 46,205,033
Receivables	8,148,800
Restricted assets	5,160,115
Capital assets, net of accumulated depreciation	<u>37,958,314</u>
Total assets	<u>97,472,262</u>

Liabilities and Net Assets	
Liabilities	
Accounts payable	307,014
Accrued expenses	340,719
Accrued compensated absences	
Payable within one year	44,584
Payable after one year	<u>117,326</u>
Total liabilities	<u>809,643</u>
Net assets	
Invested in capital assets	37,958,314
Restricted	8,341,916
Unrestricted	<u>50,362,389</u>
Total net assets	<u>\$ 98,662,619</u>

The accompanying notes are integral part of the financial statements.

RED RIVER WATERWAY COMMISSION
State of Louisiana

Statement of Activities
for the Year Ended December 31, 2011

Functions/programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Leasing and Fees for Services	Capital Grants and Contributions	
Governmental activities				
Public works and recreation	\$ 5,436,240	\$ 1,024,807	\$ 556,319	\$ (3,855,114)
Total governmental activities	\$ 5,436,240	\$ 1,024,807	\$ 556,319	\$ (3,855,114)
General Revenues				
Taxes -				
Property taxes				8,295,373
State revenue sharing				374,490
Interest and investment earnings				465,942
Miscellaneous				30,290
Total general revenues				9,166,095
Change in net assets				5,310,981
Net assets, beginning of year				91,351,638
Net assets, end of year				\$ 96,662,619

The accompanying notes are an integral part of the financial statements.

Fund Financial Statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

Balance Sheet - Governmental Funds
December 31, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Assets			
Cash	\$ 20,573,969	\$ 25,631,064	\$ 46,205,033
Receivables, net of allowance for uncollectibles			
Taxes	2,763,780	5,132,734	7,896,514
State revenue sharing	86,983	161,540	248,523
Other	1,214	2,549	3,763
Restricted assets			
Cash	1,562,954	-	1,562,954
Due from capital projects fund	-	198	198
Total assets	<u>\$ 24,988,900</u>	<u>\$ 30,928,085</u>	<u>\$ 55,916,985</u>
Liabilities and Fund Balances			
Accounts payable	\$ 262,143	\$ 44,871	\$ 307,014
Accrued expenses	168,483	172,236	340,719
Accrued compensated absences	-	-	-
Due to general fund	198	-	198
Total liabilities	<u>430,824</u>	<u>217,107</u>	<u>647,931</u>
Fund balances			
Committed	1,562,954	3,181,801	4,744,755
Unassigned	22,995,122	27,529,177	50,524,299
Total fund balances	<u>24,558,076</u>	<u>30,710,978</u>	<u>55,269,054</u>
Total liabilities and fund balances	<u>\$ 24,988,900</u>	<u>\$ 30,928,085</u>	<u>\$ 55,916,985</u>

The accompanying notes are an integral part of the financial statements.

RED RIVER WATERWAY COMMISSION
State of Louisiana

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
December 31, 2011

Total fund balances of governmental funds		\$ 55,269,054
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Those assets consist of:		
Cost of capital assets at December 31, 2011	\$ 54,535,370	
Less accumulated depreciation	(16,577,056)	37,958,314
Long-term assets at December 31, 2011		
Accounts receivable	\$ 50,160	
Deferred charges-work in kind	3,547,001	3,597,161
Long-term liabilities at December 31, 2011		
Compensated absences payable		(161,910)
Total net assets of governmental activities		<u>\$ 96,662,619</u>

The accompanying notes are an integral part of the financial statements.

RED RIVER WATERWAY COMMISSION
State of Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the Year Ended December 31, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Revenues			
Ad valorem taxes, including penalties and interest	\$ 2,892,469	\$ 5,402,904	\$ 8,295,373
Intergovernmental revenues			
Work-in-kind contribution	-	1,389,939	1,389,939
Capital grants	-	22,501	22,501
State revenue sharing	141,983	232,507	374,490
Leasing and fees for services			
Leasing	976,551	-	976,551
Park fees	48,255	-	48,255
Interest revenues	199,100	268,842	467,942
Total revenues	<u>4,258,358</u>	<u>7,314,693</u>	<u>11,573,051</u>
Expenditures			
Current			
Public works	2,553,757	111,164	2,664,921
Recreation and parks	522,193	1,347,601	1,869,794
Port development, operations and maintenance	221,855	43,800	265,655
Capital outlay	128,723	-	128,723
Statutory charges			
Retirement system	92,742	172,236	264,978
Total expenditures	<u>3,519,270</u>	<u>1,674,801</u>	<u>5,194,071</u>
Excess of revenues over (under) expenditures	<u>739,088</u>	<u>5,639,892</u>	<u>6,378,980</u>
Other financing resources			
Proceeds of general fixed asset dispositions	30,290	-	30,290
Net change in fund balances	<u>769,378</u>	<u>5,639,892</u>	<u>6,409,270</u>
Fund balance, beginning of year	<u>23,788,698</u>	<u>25,071,086</u>	<u>48,859,784</u>
Fund balance, end of year	<u>\$ 24,558,076</u>	<u>\$ 30,710,978</u>	<u>\$ 55,269,054</u>

The accompanying notes are an integral part of the financial statements.

RED RIVER WATERWAY COMMISSION
State of Louisiana

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
for the Year Ended December 31, 2011**

Net change in fund balances - total governmental funds	\$	6,409,270
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense:

Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 1,179,432	
Impairment of capital assets	(944)	
Less depreciation expense recorded for the year ended December 31, 2011	<u>(1,393,846)</u>	(215,358)

Long-term assets not representing current resources

Accounts receivable increase in current year	(459,333)
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Work-in-kind decrease in current year	(396,790)
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Short-term compensation absences decrease in current year	(45,062)
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Long-term compensated absences increase in current year	<u>18,254</u>
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Change in net assets of governmental activities	\$	<u>5,310,981</u>
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**RED RIVER WATERWAY COMMISSION
STATE OF LOUISIANA**

Notes to Financial Statements
December 31, 2011

Introduction

The Red River Waterway Commission (the Commission) was created by Act No.17 of the Louisiana Legislature for the year 1965 as a body politic and corporate of the State of Louisiana and the powers of the Commission are enumerated in La. R.S. 34:2301-2317. The Commission is not subject in any respect to the authority, control or supervision of any regulatory body of the state or any political subdivision thereof. The Commission is composed of all territories located within the parishes of Avoyelles, Rapides, Natchitoches, Red River, Grant, Bossier and Caddo. The Commission was created to establish, operate, and maintain a navigable waterway system extending from the vicinity of the confluence of the Red River with Old River and the Atchafalaya River northwestward in the Red River Valley to the state boundary. The commissioners administer the operations and responsibilities of the Commission in accordance with Louisiana statutes. Members of the commission are appointed by the governor with one member from each parish being selected from the recommendations of the respective Police Juries. The Secretary of the Louisiana Department of Transportation and Development (DOTD) serves as ex-officio chairman of the Red River Waterway Commission.

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity - The Red River Waterway Commission, for financial purposes, includes all of the governmental funds relevant to the operations of the Red River Waterway Commission. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Red River Waterway Commission.

The Division of Administration of the State of Louisiana has determined that the Red River Waterway Commission is a primary government and not a component unit or agency of the state government for financial reporting purposes.

Basis of Presentation - The accompanying basic financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments, issued in June 1999.

The Statement of Activities presents a comparison between direct expenses and program revenues for the functions of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) leasing, royalties and charges paid by the recipients of services offered by the Commission and (b) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program services, including property taxes, are presented as general revenues.

Fund Financial Statements - The accounts of the Red River Waterway Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two governmental funds as follows:

General Fund - The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - These funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities.

Measurement Focus Basis of Accounting

The governmental financial statements were prepared using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Commission's operations.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The commission considers revenues available if they are collected within sixty (60) days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset used.

The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes and state revenue sharing are recorded in the year they become due and payable. Ad valorem taxes are assessed for the calendar year, become due on December 30 of each year, and become delinquent on December 31. The taxes are generally collected in December, January or February. The lien date is January 1, when interest begins accumulating at one-percent monthly. Revenue sharing is generally collected in three (3) equal installments in December, March and May.

Intergovernmental revenues, leasing, royalties and charges for services are recorded when the Commission is entitled to the funds.

Interest income on time deposits is recorded as earned.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Other Financing Sources (Uses)

Proceeds from the sale of land and surplus capital assets are accounted for as other financing sources (uses).

Deferred Revenues

Federal financial assistance funds are considered to be earned to the extent of expenditure made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

Budgetary Accounting - The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

The Commission is excluded from the provisions of Act 504 of 1980 (Budget Act) by Attorney General Opinion 80-1561. The Commission has developed an expenditure budget for the operating and maintenance (general fund) and the construction (capital projects fund) in order to maintain improved control over expenditures. Revenues were not budgeted in detail, but were assumed sufficient to cover the expenditures.

- a. Based on improved data, the budget is periodically amended and approved by the Board of Commissioners.
- b. The budgetary comparison schedule, a required supplemental schedule, for the General Fund and Capital Projects Fund present comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis is in conformity with accounting principles generally accepted in the United States of America.
- d. Unused appropriations for annually budgeted funds lapse at the end of year.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Recent Accounting Pronouncements - Beginning with fiscal year 2011, the Commission implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending restraints:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Commission did not have any nonspendable resource as of December 31, 2011.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Commission did not have any restricted resources as of December 31, 2011.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Commission. These amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (board action) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Commission had committed resources as of December 31, 2011, as set forth in Note 9.

Assigned: This classification includes amounts that are constrained by the Commission's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commission or by an official or body to which the Commission delegates the authority. The Commission did not have any assigned resources as of December 31, 2011.

Unassigned: This classification includes the residual fund balance for the General Fund and the Capital Project Fund. General Fund and the Capital Projects Fund had \$22,995,122 and \$27,529,177, respectively, at December 31, 2011, classified as unassigned.

Beginning fund balances for the Commission's governmental funds have been restated to reflect the above classifications.

Cash and interest-bearing deposits - Cash and interest bearing deposits include amounts in demand deposits, interest-bearing demand deposits and time deposits.

Capital Assets – Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

Capital assets are recorded in the Statement of Net Assets. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the useful lives as follows:

Asset Group	Years
Furniture, fixtures and equipment	5 to 10
Vehicles	5
Buildings	40
Land improvements and infrastructure	20 to 30
Boat ramps	50
Outdoor equipment	20

Compensated Absences – Employees earn and accumulate vacation and sick leave at various rates, depending on their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused vacation leave at the employee's hourly rate of pay. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. In addition, employees are due unused comp time in accordance with Commission policy. The liability for unused vacation leave and comp time payable at December 31, 2011, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$161,910 of which \$44,584 is considered short-term.

Investments - The Red River Waterway Commission is a political subdivision of the State of Louisiana and has the authority to invest in direct U.S. Treasury obligations and U.S. Government Agency obligations under R.S. 33:2955.

At December 31, 2011, the Commission did not have any investments.

Inventory - Purchase of operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

Claims and Judgments – Claims and judgments are recorded in governmental funds for the amount that will be liquidated with current available financial resources. The remainder of any liability is recorded in the government-wide financial statements.

Allowance for Uncollectible Accounts - Ad valorem taxes are not considered fully collectible. An allowance for uncollectible accounts was established to satisfy the measurability criterion. Allowance for uncollectible accounts at December 31, 2011, is as follows:

General Fund	\$ 29,511
Capital Projects Fund	54,806
	<u>\$ 84,316</u>

Net Asset Classifications – In the government-wide financial statements, net assets are classified and displayed in three components:

Invested in capital assets – Consists of capital assets, net of accumulated depreciation.

Committed net assets – Consists of net assets with constraints placed on the use either by (1) the Board of Commissioners or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets".

In the fund financial statements, governmental fund net assets are classified as fund balance. Fund balance is further classified as committed and unassigned.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, expenses, and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and time certificates of deposit which approximate fair value. Under state law, the Red River Waterway Commission may deposit funds only within a fiscal agent bank organized under the laws of the State of Louisiana. Furthermore, the Commission may invest in time deposits or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in the State of Louisiana. The Commission has cash and restricted cash (book balance) totaling \$44,642,080 and \$1,562,954 respectively at December 31, 2011. Cash and restricted cash are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank or in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer or a custodial bank that is mutually acceptable to the parties involved.

The following is a summary of deposit balances (bank balances) at December 31, 2011, with the related federal deposit insurance and pledged securities:

	<u>Deposits</u>	<u>Value of Securities</u>	<u>Federal Insurance</u>	<u>Over Secured</u>	<u>Under Secured</u>
Cash	\$ 46,265,801	\$ 35,020,948	\$ 14,891,321	\$ 5,405,913	\$ 1,759,455
Restricted cash	1,562,954	1,772,234	-	209,280	-
	<u>\$ 47,828,755</u>	<u>\$ 36,793,172</u>	<u>\$ 14,891,321</u>	<u>\$ 5,615,193</u>	<u>\$ 1,759,455</u>

All of the Commission's deposits were not properly secured at December 31, 2011.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Commission or by its agent in the Commission's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or by its agent in the Commission's name.

Category 3 - Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the Commission's cash deposits are classified as Category 1.

Note 3 - Receivables

Receivables at December 31, 2011, are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Ad valorem taxes - net	\$ 2,763,780	\$ 5,132,734	\$ 7,896,514
Intergovernmental revenue			
State revenue sharing	86,983	161,540	248,523
Other	1,214	2,549	3,763
	<u>\$ 3,851,977</u>	<u>\$ 5,296,823</u>	<u>\$ 8,148,800</u>

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
General Fund				
Buildings	\$ 855,893	\$ -	\$ -	\$ 855,893
Furniture and equipment	737,572	112,269	85,420	764,421
	<u>1,593,465</u>	<u>112,269</u>	<u>85,420</u>	<u>1,620,314</u>
Less: Accumulated depreciation	852,294	73,840	84,476	841,658
Total	<u>741,171</u>	<u>38,429</u>	<u>944</u>	<u>778,656</u>
Capital Projects Fund				
Land	15,407,717	-	-	15,407,717
Work in progress	153,398	-	-	153,398
Buildings	3,329,643	-	-	3,329,643
Land improvements-groundwork	3,936,124	-	-	3,936,124
Land improvements-structure	11,352,964	1,087,163	-	12,420,127
Boat ramps	8,248,943	-	-	8,248,943
Outdoor equipment	705,432	-	-	705,432
Infrastructure	8,715,671	-	-	8,715,671
	<u>51,847,892</u>	<u>1,087,163</u>	<u>-</u>	<u>52,915,055</u>
Less: Accumulated depreciation	14,415,391	1,320,008	-	15,735,397
Total	<u>37,432,501</u>	<u>(252,843)</u>	<u>-</u>	<u>37,179,658</u>
Net capital assets	\$ 38,173,672	\$ (214,414)	\$ 944	\$ 37,958,314

Capital assets, when declared as surplus by the Commission, no longer have any service utility and are reported as an impairment loss in the Statement of Activity. During 2011, impaired capital assets with a carrying amount of \$85,420 were declared as surplus with a net carrying amount of \$944 being reported as an impairment loss. At December 31, 2011, the carrying amount of idle impaired capital assets amounted to \$97,825.

Note 5 - Pension Plan

Substantially all employees of the Red River Waterway Commission are members of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer (cost sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Red River Waterway Commission are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from Commission funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of credited service, at or after age 55 with 25 years of credited service, or at any age with at least 30 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final average salary for each year of credited service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of the final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of credited service stated previously and do not withdraw their employee contributions may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, P.O. Box 14619, Baton Rouge, LA 70898-4619, or by calling (504) 928-1361.

Funding Policy - Under Plan A, members are required by state statute to contribute 9.50 percent of their annual covered salary and the Red River Waterway Commission is required to contribute at an actuarially determined rate. The current rate is 15.75 percent of annual covered payroll and 15.75 percent of the deferred annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each Parish.

These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Red River Waterway Commission are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Red River Waterway Commission's contributions to the System under Plan A for the years ending December 31, 2011, 2010 and 2009, were \$190,932, \$189,093, and \$140,072, respectively, equal to the required contributions for each year.

Note 6 - Long-Term Assets

The long-term assets of the Commission, which are due from governmental activities, consist of amounts due from the Corps of Engineers relative to cost share agreements for Pools 1 and 2 and Pools 3, 4 and 5 as follows:

Accrued charges - 50% cost share in Pools 1 and 2	\$	50,160
Deferred charges - 50% work-in-kind credit in Pools 3, 4, and 5		<u>3,547,001</u>
	\$	<u>3,597,161</u>

Note 7 - Compensated Absences

The liabilities for accrued compensated absences consist of unused vacation time not to exceed 300 hours and unused comp time.

The annual changes to compensated absences as of December 31, 2011, are as follows:

January 1, 2011	Increase (Decrease)	December 31, 2011
\$ <u>180,164</u>	\$ <u>(18,254)</u>	\$ <u>161,910</u>

Note 8 - Levied Taxes

The River Waterway Commission's, (a multi-parish Commission) authorized and levied ad valorem tax millage of 2.34 for the year ended December 31, 2011, is allocated 65% to capital outlay and 35% to maintenance as follows:

Red River Waterway Commission Taxes	Authorized Millage	Levied Millage
Capital outlay	1.52	1.52
Maintenance	.82	.82

Note 9 - Committed/Restricted Fund Balances

The Commission has the following committed/restricted fund balances at December 31, 2011:

	General Fund	Capital Projects Fund	Total
Committed/Restricted for:			
Capital outlays	\$ -	\$ 609,367	\$ 609,367
Port commitments	-	2,572,434	2,572,434
Supplemental insurance	<u>1,562,654</u>	-	<u>1,562,954</u>
Total committed funds	<u>1,562,654</u>	<u>3,181,801</u>	<u>4,744,755</u>
Escrow deposits	-	-	-
Long-term receivables	-	50,160	50,160
Deferred charges	-	<u>3,547,001</u>	<u>3,547,001</u>
Total restricted funds	\$ <u>1,562,654</u>	\$ <u>6,778,962</u>	\$ <u>8,341,916</u>

Note 10 - Restricted Assets

The Commission has the following restricted assets used in governmental activities:

General Fund	
Supplemental insurance	\$ 1,562,954
Capital Project Funds	
Escrow deposits	-
Long-term receivables	50,160
Deferred charges	3,547,001
	<u>3,597,161</u>
Total restricted assets	\$ <u>5,160,115</u>

The Commission committed \$750,000 of its fund balance to supplement the high cost of liability insurance and be primarily used to offset the higher deductible used to obtain lower premiums on its primary liability coverage. The interest earned is to be considered additional committed funds.

The escrow deposits are in accordance with the Water Resources Development Act of 1976 (Public Law 94-587), whereby the Commission is required to contribute 25 percent of the construction costs of each construction contract containing dike, bulkhead, and embankment items within 10 days after receiving notification as to which bid is to be accepted for each contract. This contribution is held in an escrow account and is used by the respective construction contractor for that contract. Interest earned on the escrow account is credited to the commission; however, disbursement of funds from this account is made solely by the Corps of Engineers and is recognized as Commission expenditure upon such disbursement. The balance of cash in escrow on deposit at December 31, 2011 is reported as a reserve of fund balance to indicate that this account does not represent current available resources. At December 31, 2011, \$- were on deposit.

The long-term receivables consist of amount due from the Corp of Engineers (COE) for their 50% cost share expenditures incurred under the Pools 1 and 2 cost share agreement.

On April 19, 2000, the Red River Waterway Commission and the U.S. Army Corps of Engineers (COE) entered into a Project Cooperation Agreement (PCA). The agreement provides for an equal cost share in the project costs on 22 recreational sites in Pools 3, 4, and 5 and 3 sites in Pool 1 and 2. The COE is responsible for the overall project. The Commission is required under the agreement to make payment to the COE for its 50% cost share. Payments to COE by the Commission for its 50% share are being accomplished by cash contributions and work-in-kind expenditures. The excess of the work-in-kind expenditures over the Commission's 50% share is being deferred and will be absorbed against 50% of future COE expenditures or cash contributions. At December 31, 2011, the balance of deferred work-in-kind expenditures was \$3,547,001. This amount will be deferred until utilized or paid down by the COE. This deferred charge is also being reflected as a commitment of fund balance to indicate that this amount does not represent current available resources.

Note 11 - Litigation and Claims

The Red River Waterway Commission is continually faced with lawsuits and claims as a result of expropriation of property for right-of-ways and damages resulting from the normal operation of the waterway. Any known cost that would be incurred by the Red River Waterway Commission relative to these litigations and claims has been anticipated in developing the annual budget and would not be considered a contingency. At December 31, 2011, claims have been estimated in the aggregate amount of approximately \$250,000.

Note 12 - Commitments

The Red River Waterway Commission has agreed to match funds with any port in the Commission's jurisdiction, which meets the guidelines set forth by the Commission for obtaining matching funds up to \$40,000 per year. An extension of an additional three years was approved in 1999 by the Commission in accordance with the guidelines. In 2002, an additional extension of two years was extended to two of the ports. In 2010, additional funds were approved within the annual budget.

At December 31, 2011, commitments and the amounts expended to date are as follows:

Port	Commitments	Expended	Remaining Balance
Caddo-Bossier	\$ -	\$ -	\$ -
Alexandria	-	-	-
Natchitoches	-	-	-
Avoyelles	40,000	40,000	-
Red River	40,000	40,000	-
	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ -</u>

The Red River Waterway Commission has entered into or agreed to enter into certain intergovernmental cooperative agreements for the development of ports. At December 31, 2011, the total commitments and the amounts expended to date are as follows:

Port	Commitments	Expended	Remaining Balance
Caddo-Bossier	\$ 17,666,235	\$ 16,300,000	\$ 1,366,235
Natchitoches	3,759,891	3,253,692	506,199
Alexandria	1,036,798	1,036,798	-
Avoyelles	50,000	50,000	-
Red River	4,434,943	3,734,943	700,000
	<u>\$ 26,947,867</u>	<u>\$ 24,375,433</u>	<u>\$ 2,572,434</u>

Pursuant to design and construction contracts awarded in the development of recreation areas, levee structures, access roads and relocation projects, the Red River Waterway Commission has commitments at December 31, 2011, for the unexpended portion of these contracts in the amount of \$609,367. This amount is included in the commitment amount as shown in Note 9.

Note 13 - Subsequent Events

The Company has evaluated all subsequent events through May 8, 2012, the date which these financial statements were available for release.

Note 14 - Federal Financial Assistance and Accrued or Deferred Revenue

Grant revenues from Federal financial assistance programs are considered measurable and are recorded simultaneously with grant expenditures unless such recognition is prohibited by the grant requirement. Grant revenues received in excess of grant expenditures are recorded as deferred revenues until expended. Grant expenditures in excess of grant revenues are recorded as accounts receivable. The Red River Waterway Commission has one program that receives Federal Financial Assistance. This program is directly associated with the development of recreation areas on the Red River and provides for 50% matching funds in Pools 1 and 2. At December 31, 2011, there were \$50,160 expenditures accrued under the 50% cost share agreement as detailed in the supplemental Schedule of Expenditures of Federal Awards.

Required Supplementary Information

RED RIVER WATERWAY COMMISSION
State of Louisiana

General Fund Budgetary Comparison Schedule
Year Ended December 31, 2011

	General Fund (GAAP)				Capital Projects Fund (GAAP)			
	Budget		Actual	Variance- Favorable (Unfavorable)	Budget		Actual	Variance- Favorable (Unfavorable)
	Original	Final			Original	Final		
Revenues:								
Ad valorem taxes, including penalties and interest	\$ -	\$ -	\$ 2,882,469	\$ -	\$ -	\$ -	\$ 6,402,904	\$ -
Intergovernmental	-	-	141,983	-	-	-	1,844,947	-
Interest revenues	-	-	199,100	-	-	-	266,842	-
Other	-	-	1,024,808	-	-	-	-	-
Total revenues	3,692,950	3,692,950	4,258,358	565,408	6,550,912	6,550,912	7,314,693	763,781
Expenditures:								
Current:								
Public works	2,588,452	2,588,452	2,553,757	15,695	244,000	244,000	111,164	132,836
Recreation and parks	653,498	653,498	522,193	131,305	2,255,877	2,255,877	1,347,601	908,076
Port development, operations and maintenance	280,000	280,000	221,855	58,145	3,918,235	3,918,235	43,800	3,872,435
Capital outlay	145,000	145,000	128,723	16,277	-	-	-	-
Statutory charges:								
Assessors' compensation	-	-	-	-	-	-	-	-
Retirement system	45,000	45,000	92,742	(47,742)	135,000	135,000	172,236	(37,236)
Total expenditures	3,692,950	3,692,950	3,519,270	173,680	6,550,912	6,550,912	1,674,801	4,876,111
Excess of revenues over (under) expenditures	-	-	739,088	739,088	-	-	5,639,892	5,639,892
Other financing resources:								
Proceeds of general fixed asset dispositions	-	-	30,290	30,290	-	-	-	-
Excess of revenues and other sources over (under) expenditures	\$ -	\$ -	\$ 769,378	\$ 769,378	\$ -	\$ -	\$ 5,639,892	\$ 5,639,892
Fund balance, beginning of year			23,788,698				26,071,086	
Fund balance, end of year			\$ 24,558,076				\$ 30,710,978	

Supplemental Information

RED RIVER WATERWAY COMMISSION**State of Louisiana****Schedule of Per Diem Paid to Commission Members****Year Ended December 31, 2011**

<u>Name</u>	<u>Number of Meetings</u>	<u>Per Diem Paid</u>
Wayne T. Davis	18	1,350
Marc Dupuy, Jr.	17	1,275
Andrew J. Hodges, III	19	1,425
A. Paul Fleming	36	2,700
Randell A. Fletcher	26	1,950
James F. Maxey	25	1,875
Michael Simpson	17	1,275
W. Alvin Owens	24	1,800
Rogers M. Prestridge	26	1,950
James D. Brown	17	1,275
David L. Crutchfield, II	11	825
		<u>\$ 17,700</u>

See accompanying Independent Auditor's Report.

RED RIVER WATERWAY COMMISSION
State of Louisiana

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Matching Contribution</u>	<u>Accrued Revenue January 1, 2011</u>	<u>Receipts or revenue recognized</u>	<u>Federal Expenditures and Adjustments</u>	<u>Accrued Revenue December 31, 2011</u>
U.S. DEPARTMENT OF DEFENSE							
Department of the Army-Corps of Engineers:							
Direct Programs:							
Navigation Projects-Recreational Area Projects							
Red River Waterway Pools 1 & 2	12.107	N/A	50%	\$ -	\$ -	\$ -	\$ -
Coushatta				-	-	-	-
Stoner				-	-	-	-
Lock & Dam #2				-	-	-	-
Stoner Handicapped Boat Ramp				-	-	-	-
Teague Handicapped Boat Ramp				-	-	-	-
Alexandria Levee Park Boat Dock				-	-	-	-
Poland Recreation Area				509,493	518,938	10,445	-
Boyce Recreation Area-Additional Amenities Central Project				-	-	50,189	50,160
Total Pools 1 & 2				\$ 509,493	\$ 518,938	\$ 60,605	\$ 50,160

**RED RIVER WATERWAY COMMISSION
State of Louisiana**

**Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011**

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Red River Waterway Commission, State of Louisiana, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basis financial statements.

RED RIVER WATERWAY COMMISSION
State of Louisiana

Schedule of Deferred Charges - Work-in-Kind
Year Ended December 31, 2011

PROJECTS	Deferred Charges January 1, 2011	Adjustments by Corps of Engineers	Deferred Charges As Adjusted	Contribution by Corps of Engineers	50% Work-in-Kind	Deferred Charges December 31, 2011
U.S. DEPARTMENT OF DEFENSE						
Department of the Army-Corps of Engineers:						
Recreational Area Projects						
Red River Waterway Pools 3, 4, & 5						
Teague Parkway	\$ 676,172	\$ -	\$ 676,172	\$ 149,163	\$ -	\$ 527,009
Shreveport Riverview	-	-	-	-	-	-
Bishop's Point	395,215	-	395,215	87,184	-	308,031
Red Oak	664,119	-	664,119	146,505	-	517,614
Grand Ecure	913,539	-	913,539	201,527	-	712,012
Hampton's Lake	230,739	-	230,739	50,901	-	179,838
Coitax	1,084,005	-	1,084,005	234,720	-	829,285
Additional Amenities Central Project	-	-	-	-	11,497	11,497
Additional Amenities North Project	-	-	-	-	150,703	150,703
Bishop's Point Asphalt Project	-	-	-	-	311,012	311,012
Total Pools 3, 4, & 5	3,943,789	-	3,943,789	870,000	473,212	3,547,001
Total Deferred Charges - Work-in-Kind	\$ 3,943,789	\$ -	\$ 3,943,789	\$ 870,000	\$ 473,212	\$ 3,547,001

Independent Auditor's Reports

INDEPENDENT AUDITOR'S REPORT

Commissioners of the Red River Waterway Commission
State of Louisiana
Natchitoches, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Red River Waterway Commission, State of Louisiana, as of and for the year ended December 31, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Red River Waterway Commission, State of Louisiana's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Red River Waterway Commission, State of Louisiana as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2012, on our consideration of Red River Waterway Commission, State of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 4 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Red River Waterway Commission's basic financial statements as a whole. The schedules of per diem paid to commission members, and schedule of deferred charges - work-in-kind are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying

schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as is also not a required part of the financial statements. The schedules of per diem paid to commission members, expenditures of federal awards and schedule of deferred charges - work-in-kind are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Roberts, Cherry and Company
ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
May 8, 2012

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Commissioners of the Red River Waterway Commission
State of Louisiana
Natchitoches, Louisiana

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Red River Waterway Commission, State of Louisiana, as of and for the year ended December 31, 2011, which collectively comprise the Red River Waterway Commission, State of Louisiana's basic financial statements and have issued our report thereon dated May 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Red River Waterway Commission, State of Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Red River Waterway Commission, State of Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Red River Waterway Commission, State of Louisiana's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting as item 2011-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Red River Waterway Commission, State of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as item 2011-1.

Red River Waterway commission, State of Louisiana's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Red River Waterway Commission, State of Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the revenue, banking and budget committee, management, federal awarding agencies, and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Roberts, Cherry and Company
ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
May 8, 2012

**RED RIVER WATERWAY COMMISSION
State of Louisiana**

**Schedule of Findings and Responses
For the Year Ended December 31, 2011**

Current Year Findings and Responses

2011-1 Undercollateralized Deposits

Criteria or Specific Requirement: As required by State statute, all deposits are required to be insured or collateralized.

Condition: We noted the certificate of deposits held at the Business First Bank, Progressive National Bank and Simmesport Bank were not fully insured, causing the Red River Waterway Commission, State of Louisiana (Commission) to have exposure totaling \$1,758,455.

Effect: The Commission was not in compliance with Louisiana RS 39:1211 through 39:1273, stating all deposits must be insured or collateralized.

Cause: Periodic review by the aforementioned banks on behalf of the Commission was not performed to identify the excess uncollateralized deposits.

Recommendation: We recommend the Commission review monthly the pledged securities and the bank balances to ensure that all balances are appropriately secured.

Management's Corrective Action Plan: We will coordinate with the bank to ensure that there is sufficient collateral on all deposits in the future.

Prior Year Findings and Responses

None